United Nations

Report of the Committee on Contributions

General Assembly

Official Records • Fiftieth Session
Supplement No. 11A (A/50/11/Add.1 and 2)

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Part one

Report of the Committee on Contributions on its special session held at United Nations Headquarters from 26 February to 1 March 1996*

* Originally issued in an advance version as document A/50/11/Add.1 and Corr.1 of 11 March 1996.

I. ATTENDANCE

1. The special session of the Committee on Contributions was held at United Nations Headquarters from 26 February to 1 March 1996. The following members were present: Mr. Alvaro Gurgel de Alencar, Mr. Pieter Bierma, Mr. Uldis Blukis, Mr. Sergio Chaparro Ruiz, Mr. David Etuket, Mr. Neil Francis, Mr. Igor V. Goumenny, Mr. William K. Grant, Mr. Masao Kawai, Mr. Li Yong, Mr. Vanu G. Menon, Mr. Atilio N. Molteni, Mr. Mohamed Mahmoud Ould Cheikh El Ghaouth, Mr. Ugo Sessi, Mr. Agha Shahi, Mr. Omar Sirry and Mr. Adrien Teirlinck. Mr. Yuri A. Chulkov and Ambassador Amjad Ali, who is a member emeritus of the Committee, were not able to attend.

2. The Committee decided to retain the bureau elected at its fifty-fifth session.

II. TERMS OF REFERENCE

3. The special session of the Committee was convened pursuant to General Assembly resolution 50/207 of 23 December 1995. The Committee conducted its work on the basis of the provisions of that resolution and its general mandate, as contained in rule 160 of the rules of procedure of the General Assembly.

4. The Committee had before it General Assembly resolution 50/207, the summary records of the meetings of the Fifth Committee at the fiftieth session relating to the item entitled "Scale of assessments for the apportionment of the expenses of the United Nations" (A/C.5/50/SR.4-10, 43 and 44) and the relevant report of the Fifth Committee to the General Assembly (A/50/843).

5. General Assembly resolution 50/207 reads:

> "The General Assembly,
>
> "Noting the requests by Azerbaijan, Comoros, Georgia, Kyrgyzstan, Latvia, Liberia, Sao Tome and Principe, Tajikistan and Turkmenistan that, as an exceptional measure, any arrears in respect of assessed contributions for the regular budget of the United Nations, peacekeeping operations or international tribunals as at 1 January 1996 and for 1996 be treated as being attributable to conditions beyond their control and that, accordingly, the question of the application of Article 19 of the Charter of the United Nations should not arise,
>
> "1. Recognizes the importance of requests with respect to the application of Article 19 of the Charter of the United Nations being considered by the Committee on Contributions in accordance with rule 160 of the rules of procedure of the General Assembly;
>
> "2. Requests the Committee to hold a special session of one week's duration as early as possible in 1996 to consider representations from Member States with respect to the application of Article 19 of the Charter and to report thereon to the General Assembly at its resumed fiftieth session pursuant to rule 160 of the rules of procedure;
>
> "3. Invites Member States to submit detailed information to the Committee in explanation of their requests as soon as possible so as to facilitate the work of the Committee;
>
> "4. Decides to consider the report of the Committee on this matter as early as possible during its resumed fiftieth session."

III. CONSIDERATION OF REPRESENTATIONS FROM MEMBER STATES WITH RESPECT TO THE APPLICATION OF ARTICLE 19 OF THE CHARTER PURSUANT TO GENERAL ASSEMBLY RESOLUTION 50/207

6. The Committee had before it written representations from the Dominican Republic, Georgia, Iraq, Latvia, Liberia, the Republic of Moldova, Rwanda, Tajikistan and Yugoslavia. It received and granted requests for oral representations from Georgia, Kyrgyzstan, Latvia, Liberia and Tajikistan. In addition, the Secretariat provided statistical data on the Member States whose requests were being considered.

7. The Committee received a written representation from Comoros on the last day of its special session and consequently was unable to consider it.

8. The Committee noted that Azerbaijan, Sao Tome and Principe and Turkmenistan, although mentioned in General Assembly resolution 50/207, had not made written or oral representations pursuant to that resolution and that Azerbaijan and Turkmenistan had subsequently made payments sufficient to avoid the application of Article 19 of the Charter in 1996. Therefore, the Committee was not in a position to advise the General Assembly with regard to the application of Article 19 of the Charter for Sao Tome and Principe.

A. General considerations

9. The Committee had a wide-ranging discussion of its role in advising the General Assembly on the application of Article 19 of the Charter pursuant to rule 160 of the rules of procedure of the General Assembly and the provisions of Assembly resolution 50/207. During the discussion, it considered past action by the General Assembly and by the Committee with regard to this question, as well as the representations before the Committee at its special session.

10. The Committee agreed that, as a technical body, its main task in advising the General Assembly on the action to be taken with regard to the application of Article 19 of the Charter was to consider whether the failure of a particular Member State to pay the amount needed to avoid the loss of the right to vote was due to conditions beyond its control.

11. The Committee noted that the General Assembly had waived the application of Article 19 of the Charter in relatively few cases. It was noted that generally the duration of such waivers had been short and that they were followed by receipt of the necessary minimum payments within a limited time. The Committee stressed the need to apply a stringent standard to requests under Article 19 of the Charter for permission to vote. The Committee also emphasized the importance of the obligation to pay all assessed contributions in full and on time.

12. A number of Member States whose representations were before the Committee indicated their commitment to pay their arrears to the Organization and included proposals to do so over a number of years. The Committee discussed the question of multi-year payment plans as a means of reducing the problem of arrears. It noted that a number of organizations of the United Nations system had made formal provision for such payment plans with the specific approval of their governing bodies. The Committee recognized that such payment plans could prove to be a valuable tool in reducing the number of Member States falling under the

provisions of Article 19 of the Charter, as well as in improving the financial situation of the Organization. It also recognized, however, that the question of payment plans and the terms and conditions to be applied to such plans went beyond its terms of reference.

B. Representations made to the Committee

1. Dominican Republic

13. At its fifty-fifth session, the Committee had before it a letter dated 5 December 1994 from the President of the General Assembly concerning the request, under Article 19 of the Charter, by the Permanent Representative of the Dominican Republic on the subject of his country's arrears.

14. The Government of the Dominican Republic had requested the General Assembly, pending a decision by the Security Council on its request for compensation under Article 50 of the Charter and citing the economic losses sustained as a result of United Nations sanctions against Haiti, to waive the application of Article 19 of the Charter.

15. The Committee had concluded at that time (A/50/11, para. 61) that more recent statistical data on the current financial and economic situation of the Dominican Republic would be necessary to determine whether the inability to pay still existed, and decided to advise the General Assembly accordingly. At its special session, the Committee had before it the text of a letter dated 26 September 1995 from the Permanent Mission of the Dominican Republic to the Committee, transmitting a report from the Central Bank of the Dominican Republic covering the period since the lifting of the embargo against Haiti.

16. The Committee noted that the report of the Central Bank included data for the period to the end of 199., as compared to data for the period ending 31 October 1994 that had been available to it at its fifty-fifth session. It also noted that sanctions against Haiti had been lifted in September 1994 and that the information provided in the report indicated favourable trends in a number of economic indicators, including real gross domestic product, tax revenue and merchandise exports.

17. While recognizing the burdens suffered by the Dominican Republic as a result of sanctions against Haiti, the Committee concluded that the information available did not provide a basis on which it could advise the General Assembly that the Dominican Republic's failure to pay the minimum amount required to avoid the loss of its vote under Article 19 of the Charter was due to conditions beyond its control. The Committee again stressed that the question of compensation under Article 50 of the Charter was beyond its competence.

2. Georgia

18. The Committee had before it the text of a letter dated 29 January 1996 from the Permanent Representative of Georgia to the Secretary-General transmitting a letter of the same date from the Minister for Foreign Affairs of Georgia to the Secretary-General.

19. In its written and oral representations, Georgia made reference to the breakdown of existing economic links and the loss of markets following the collapse of the Soviet Union. It also referred to the armed conflict in its

territory and the resulting refugee problems. Hyperinflation, a dramatic decrease in the level of production, and soaring external debt were also cited.

20. Georgia indicated its intention of making a payment of $3,610,500 to the United Nations within a few months, having already obtained approval from its Parliament, and paying its debt completely within the next three years. The Committee noted with appreciation the intention, declared despite severe problems, to make within a few months the minimum payment necessary to regain the right to vote. The Committee recalled that the General Assembly had, on a number of occasions, agreed to the temporary waiver of the application of Article 19 of the Charter for countries in a similar situation, during a particular session and pending the receipt of the necessary payments.

3. Iraq

21. The Committee had before it the text of a letter dated 1 February 1996 from the Permanent Representative of Iraq to the Chairman of the Committee, in which Iraq indicated that it was unable to pay its contributions to the United Nations owing to the imposition of comprehensive sanctions by the Security Council and the freezing of its foreign assets.

22. The Committee recalled that it had considered similar representations from Iraq at its fifty-fifth session and that members of the Committee had divergent views on the merits of Iraq's request for a waiver of the application of Article 19 of the Charter on the grounds that its failure to pay its assessed contributions was due to conditions beyond its control.

23. Members of the Committee continue to have divergent views on the question and the Committee is thus unable to recommend action to the General Assembly on the request of Iraq.

4. Kyrgyzstan

24. The Committee heard an oral representation by the representative of Kyrgyzstan, in which reference was made to the serious financial difficulties of Kyrgyzstan, its over-assessment under the current scale of assessment and the necessity to sustain at least a minimum level of social provision. Despite those difficulties, Kyrgyzstan had made the necessary payment to avoid the application of Article 19 of the Charter in 1996. It foresaw future problems, however, and referred to the possibility of submitting a multi-year plan for payment of its arrears to the General Assembly at its fifty-second session.

25. The Committee noted that Kyrgyzstan did not fall under the provisions of Article 19 of the Charter in 1996 and that, therefore, no action was required by the General Assembly.

5. Latvia

26. The Committee had before it the text of a note verbale dated 14 February 1996 from the Permanent Representative of Latvia to the Chairman of the Committee. It also heard an oral representation by the Permanent Representative of Latvia.

27. In its representation, Latvia pointed to its over-assessment, dating back

to 1991, the current economic situation of the country, with falling real gross domestic product and a recent banking crisis, and severe restrictions on the budget of the Ministry of Foreign Affairs, given other pressing humanitarian and social needs. Latvia, therefore, proposed a payment plan which it estimated would settle its arrears within seven years.

28. Having reviewed the information provided by Latvia, as supplemented by information provided by the Secretariat, the Committee was unable to reach agreement on a recommendation to the General Assembly that Latvia's failure to pay the necessary amount to avoid the application of Article 19 of the Charter was due to conditions beyond its control.

6. Liberia

29. The Committee had before it the text of a note verbale dated 22 February 1996 from the Permanent Representative of Liberia to the President of the General Assembly. It also heard an oral representation by the Permanent Representative of Liberia.

30. Liberia outlined the devastating effects of the civil war experienced since 1989. Loss of life and property had accompanied the disruption of all economic activities, and revenue from the maritime programme had been partly attached by external creditors. Efforts at a peaceful solution and democratic elections were proceeding. Liberia recognized its obligation to pay its arrears as soon as the situation of the country was normalized, and indicated its intention to settle its arrears at that time or reach an understanding with the Organization regarding a phased liquidation thereof.

31. The Committee agreed that the failure of Liberia to pay the amount necessary to avoid the application of Article 19 of the Charter was due to conditions beyond its control. It, therefore, recommends to the General Assembly that Liberia be permitted to vote. As indicated above, the Committee believes that such waivers should be time-limited. Accordingly, it recommends that the waiver extend through the fifty-first session of the General Assembly and be subject to review before any further extension.

7. Republic of Moldova

32. The Committee had before it the text of a letter dated 21 February 1996 from the Permanent Representative of the Republic of Moldova to the Chairman of the Committee, in which reference was made to the serious economic problems facing the Republic of Moldova stemming from dislocation following the disintegration of the former Soviet Union and the process of economic and social reform, and from natural disasters and armed confrontation, all of which had contributed to a reduction of production, rampant inflation and a shortage of hard currency. Despite those problems, the Republic of Moldova had made the necessary payment to avoid the application of Article 19 of the Charter in 1996. It foresaw future problems, however, and proposed a payment schedule over a period of seven years to eliminate its arrears of payments to the United Nations.

33. The Committee noted that the Republic of Moldova did not fall under the provisions of Article 19 of the Charter in 1996 and that, therefore, no action was required by the General Assembly.

8. Rwanda

34. The Committee had before it the text of a note verbale dated 27 February 1996 from the Permanent Representative of Rwanda to the President of the General Assembly.

35. Rwanda recalled that, between 1990 and 1994, it had suffered genocide affecting one eighth of its population and that its economy had been destroyed. Efforts at national reconstruction were proceeding and, in the meantime, Rwanda requested that the provisions of Article 19 of the Charter should be waived. Data provided by the Secretariat highlighted the extreme economic difficulties faced by Rwanda.

36. The Committee agreed that Rwanda's failure to pay the amount necessary to avoid the loss of its vote under Article 19 of the Charter was due to corditions beyond its control. It, therefore, recommends to the General Assembly that it permit Rwanda to vote. As indicated above, the Committee believes that such waivers should be time-limited. Accordingly, it recommends that the waiver extend through the fifty-first session of the General Assembly and be subject to review before any further extension.

9. Tajikistan

37. The Committee had before it the text of a note verbale dated 14 February 1996 from the Permanent Representative of Tajikistan to the Committee. It also heard an oral representation by the representative of Tajikistan.

38. Tajikistan made reference to the civil war and natural disasters that had affected the country between 1992 and 1994, resulting in serious loss of life, displacement of people and destruction of productive capacity. Consequently, Tajikistan was having to devote all available resources to national reconstruction. It was therefore requesting that the provisions of Article 19 of the Charter should not be applied, although, as the country's financial and economic situation improved, the Government would make every effort to pay its outstanding contributions to the United Nations.

39. Some members were of the opinion that Tajikistan's failure to pay the amount necessary to avoid the application of Article 19 of the Charter was due to conditions beyond its control and that it should therefore be permitted to vote. Other members, although recognizing the difficult situation facing Tajikistan, were not fully convinced that it constituted conditions beyond the control of the Member State in accordance with Article 19.

40. The Committee was, therefore, unable to recommend any action to the General Assembly in this respect. It was agreed, however, that the situation of Tajikistan should be reviewed at the fifty-sixth session of the Committee on the basis of any new information that might be available, either from Tajikistan or from other sources.

10. Yugoslavia

41. The Committee had before it the text of a letter dated 22 February 1996 from the office of the President of the General Assembly to the Secretary of the Committee, transmitting a representation in respect of Yugoslavia, in which

reference was made to economic and financial problems stemming from economic sanctions imposed by the Security Council and the freezing of foreign assets.

42. The Committee recalled General Assembly resolutions 47/1 of 22 September 1992 and 47/229 of 29 April 1993 and decided to defer action on this request until such time as the pending succession issues with respect to the representation of Yugoslavia in the United Nations had been resolved.

Part two

Report of the Committee on Contributions on its fifty-sixth session held at United Nations Headquarters from 10 to 28 June 1996*

* Originally issued in an advance version as document A/50/11/Add.2 of 22 July 1996.

I. ATTENDANCE

1. The fifty-sixth session of the Committee on Contributions was held at United Nations Headquarters from 10 to 28 June 1996. The following members were present: Mr. Alvaro Gurgel de Alencar, Mr. Pieter Bierma, Mr. Uldis Blukis, Mr. Sergio Chaparro Ruiz, Mr. Evgueni N. Deineko, Mr. David Etuket, Mr. Neil Francis, Mr. Igor V. Goumenny, Mr. William K. Grant, Mr. Masao Kawai, Mr. Li Yong, Mr. Vanu G. Menon, Mr. Atilio N. Molteni, Mr. Mohamed Mahmoud Ould Cheikh El Ghaouth, Mr. Ugo Sessi, Mr. Agha Shahi, Mr. Omar Sirry and Mr. Adrien Teirlinck. Also present was Mr. Amjad Ali, member emeritus of the Committee.

2. The Committee elected Mr. David Etuket as Chairman and Mr. Ugo Sessi as Vice-Chairman.

II. TERMS OF REFERENCE

3. The Committee conducted its work on the basis of its general mandate, as contained in rule 160 of the rules of procedure of the General Assembly; the original terms of reference of the Committee contained in chapter IX, section 2, paragraphs 13 and 14, of the report of the Preparatory Commission (PC/20) and in the report of the Fifth Committee (A/44), adopted during the first part of the first session of the General Assembly on 13 February 1946 (resolution 14 (I) A, para. 3); and the mandate contained in Assembly resolutions 48/223 C of 23 December 1993, 49/19 A of 29 November 1994 and 50/207 B of 11 April 1996 and Assembly decision 50/471 B of 23 December 1995.

4. The Committee had before it General Assembly resolutions 48/223 A, B and C of 23 December 1993, 49/19 A, 49/19 B of 23 December 1994 and 50/207 B and Assembly decision 50/471 B; the summary records of the Fifth Committee for the fiftieth session relating to agenda item 120, entitled "Scale of assessments for the apportionment of the expenses of the United Nations" (A/C.5/50/SR.4-10, 43, 44, 48, 49 and 55); the relevant reports of the Fifth Committee to the General Assembly (A/48/806, A/49/673 and Add.1 and A/50/843 and Add.1); and the report of the Ad Hoc Intergovernmental Working Group on the Implementation of the Principle of Capacity to Pay (A/49/897).

III. APPLICATION OF ARTICLE 19 OF THE CHARTER

A. Procedural aspects

5. The General Assembly, in its resolution 50/207 B, inter alia:

> "Requests the Committee on Contributions to review the procedural aspects of consideration of requests for exemption under Article 19 of the Charter and to convey its observations thereon to the General Assembly not later than the end of the fifty-first session of the Assembly" (para. 11).

6. In conducting this review, the Committee had a general discussion on questions of procedure, including the need to make timely recommendations or decisions, based on adequate information, with respect to requests under Article 19 for permission to vote, and recalled its consideration of this matter during its special session in 1996.

7. The Committee decided to continue its review of the question at its fifty-seventh session and to report to the General Assembly thereon before the end of the fifty-first session of the Assembly, as requested.

B. Representation from the Comoros

8. In its resolution 50/207 B, the General Assembly noted that the Committee had been unable to consider the representation from the Comoros during its special session and requested it to do so during its fifty-sixth session and to report thereon to the Assembly. Pending consideration of that report by the Assembly, and as an exceptional measure, the Comoros will be permitted to vote through the main part of the fifty-first session of the Assembly.

9. In considering the matter, the Committee had before it the text of a note verbale dated 23 February 1996 from the Ministry of Foreign Affairs and Cooperation of the Comoros addressed to the Secretary-General, as well as the text of a note verbale dated 10 June 1996 from the Permanent Mission of the Comoros addressed to the Secretary-General.

10. The Comoros pointed out that it was a least developed country, whose economy was essentially dependent on agriculture. Export earnings were mainly derived from a few traditional crops, which were facing strong competition on the world market. The economy was also affected negatively by the country's small size, geographical isolation, limited natural resources and the high cost of transport. External debt and debt-servicing costs had also risen. In addition, the Comoros pointed to past political instability and the invasion of the country by a force of international mercenaries on 28 September 1995. Those mercenaries had deposed the President of the Republic, seized power and disrupted the constitutional, political, economic and social order. While reference was made to a timetable for the discharge of the international responsibilities of the Comoros, no information was available as to when such payments might be expected.

11. The Secretariat provided the Committee with information, including statistical data and information on the current political situation in the country, which supplemented that provided by the Comoros. In particular, the Secretariat noted the extremely severe economic, social and political impact of the mercenary invasion in 1995. It also noted that, as a result of that

aggression, the Government had been unable to make a number of essential payments, including its assessed contributions to the United Nations.

12. The Committee agreed that, as a result of the extraordinary circumstances related to the invasion of the Comoros in 1995, its failure to pay the amount necessary to avoid the application of Article 19 of the Charter was attributable to conditions beyond its control. It therefore recommends to the General Assembly that the Comoros be permitted to vote through the fifty-first session of the Assembly and that this waiver be subject to review before any further extension. In considering this matter, the Assembly may wish to take into account any further indications forthcoming from the Comoros concerning its intention to resume payments of its assessed contributions to the United Nations.

IV. IMPLEMENTATION OF GENERAL ASSEMBLY DECISION 50/471 B

13. In its decision 50/471 B, the General Assembly:

> "... requests the Committee on Contributions, in connection with paragraph 52 of its report, 1/ to reconsider the inclusion of the Member State concerned in the list of countries falling under paragraph 2 of General Assembly resolution 48/223 B of 23 December 1993".

14. In its resolution 48/223 B, the General Assembly set out a number of elements and criteria, based on which the Committee on Contributions was requested to recommend a scale of assessments for the period 1995-1997. One of those elements was the phasing out by 50 per cent of the effects of the scheme of limits, with a view to its complete phasing out in the scale for the period 1998-2000. In paragraph 2 of the resolution, the Assembly:

> "Decides that in phasing out the scheme of limits, the allocation of additional points resulting therefrom to developing countries benefiting from its application shall be limited to 15 per cent of the effect of the phase-out".

15. At its fifty-fifth session, the Committee on Contributions considered a representation from Turkey. Turkey had expressed its concern that it had not been included among those developing countries benefiting from the 15 per cent limitation on the effects of the phasing-out of the scheme of limits, with a consequent increase in its rate of assessment. In paragraph 52 of the report on its fifty-fifth session, 1/ the Committee indicated that it could not find grounds for adjustment of the rate of assessment for Turkey for the years 1995-1997.

16. In reconsidering the inclusion of Turkey in the list of countries falling under paragraph 2 of General Assembly resolution 48/223 B, the Committee also had before it the text of a letter dated 20 May 1996 from the Permanent Representative of Turkey to the United Nations addressed to the Chairman. Turkey emphasized that the purpose of paragraph 2 of the resolution was to provide some relief to developing countries facing a sharp increase in their contributions during the period 1995-1997 and that previous scales were not and should not be the issue.

17. After reviewing the matter again, the Committee concluded that the General Assembly in its resolution 48/223 B had established three criteria to determine which Member States would benefit from the 15 per cent limitation on the effect of the phasing-out of the scheme of limits on the scale of assessments for the period 1995-1997: that the Member State was a developing country; that its rate of assessment in the period 1995-1997 would be increased as a result of the phasing-out of the scheme of limits; and that the Member State was benefiting from the scheme of limits under the scale of assessments for the period 1992-1994. While Turkey clearly met the first two criteria, it had not benefited from the scheme of limits during the period 1992-1994. Accordingly, while the Committee sympathized with Turkey's concerns about the increase in its rate of assessment, it found no basis to conclude that that rate should be adjusted during the period 1995-1997.

V. SCALE METHODOLOGY

18. In its resolution 48/223 C of 23 December 1993, the General Assembly:

> "1. Requests the Committee on Contributions to undertake a thorough and comprehensive review of all aspects of the scale methodology with a view to making it stable, simpler and more transparent while continuing to base it on reliable, verifiable and comparable data, and to report thereon to the General Assembly at its fiftieth session;
>
> "2. Reaffirms the principle of capacity to pay as the fundamental criterion for determining the scale of assessments, and agrees, in principle, to establish an ad hoc body to study the implementation of this principle in determining the scale of assessments and to consider its mandates and modalities at a later stage in the forty-eighth session."

19. Subsequently, by its resolution 49/19 A, the General Assembly decided to establish an ad hoc intergovernmental working group, and further decided that:

> "... the working group is to study and examine all aspects of the implementation of the principle of capacity to pay as the fundamental criterion in determining the scale of assessments for contributions to the regular budget and to submit a report thereon to the General Assembly no later than 15 May 1995, in order to permit the Committee on Contributions to take it into consideration in its review requested in paragraph 1 of Assembly resolution 48/223 C".

20. The Committee began its thorough and comprehensive review of all aspects of the scale methodology at its fifty-fifth session and, in doing so, also considered the various proposals, suggestions and recommendations contained in the report of the Ad Hoc Intergovernmental Working Group on the Implementation of the Principle of Capacity to Pay (A/49/897). In view of the comprehensive nature of its mandate in this regard and as the next scale of assessments is not to be considered until its fifty-seventh session, in 1997, the Committee decided to undertake its comprehensive review of the scale methodology over a period of two sessions and to report thereon to the General Assembly before the end of its fiftieth session. The results of the first round of this review are reflected in the Committee's report on its fifty-fifth session. 1/

A. General considerations

21. In considering its mandate under General Assembly resolution 48/223 C, the Committee discussed a number of general issues relating to the scale of assessments.

22. The Committee recognized that a part of its mandate was to promote stability in the scale methodology. At the same time, the Committee agreed that stability should not imply rigidity, since future changes, such as evolving economic trends, or changes in the comparability, reliability and availability of data, might well call for further adjustments in the scale methodology.

23. The Committee also discussed the extent and timing of proposed changes in the scale methodology. In this connection, some members argued in general for the earliest possible implementation of measures that would bring the scale of assessments more closely into line with the current capacity to pay of Member

States. Other members argued for a phased implementation, as appropriate, of any alterations proposed for the scale methodology. Those members emphasized that such an approach would also avoid abrupt changes in rates of assessments and the underlying methodology and facilitate acceptance of the related scales.

24. The Committee understands that its recommendations on individual elements of scale methodology in the present report are made in the context of a thorough and comprehensive review of all aspects of the scale methodology, rather than in the context of any specific scale, and that the General Assembly will take into account the possible interactions, where they exist, between individual elements when it mandates a new scale.

B. Capacity to pay

25. The Committee recalled that its original terms of reference, as approved by the General Assembly in paragraph 3 of its resolution 14 (I) A, specified that the expenses of the United Nations should be apportioned broadly according to capacity to pay, and that in subsequent resolutions the Assembly had reaffirmed capacity to pay as the fundamental criterion for the apportionment of the expenses of the Organization.

26. The Committee recalled that comparative estimates of national income would appear prima facie to be the fairest guide to measuring Member States' capacity to pay, subject to adjustments for factors identified by the General Assembly. Some members emphasized that the number and complexity of such adjustments were in conflict with the goal of a simpler and more transparent scale methodology and that, in some cases, the effects of such adjustments resulted in large deviations from the basic income measure. Other members held opposite views. They stated that many of those adjustments brought fairness and equity to the scales of assessments and prevented anomalous fluctuations in the rates of a large number of Member States. In their view, the cumulative effect of such adjustments was minimal in relation to the capacity to pay of Member States.

27. The Committee agreed that those and other general issues should continue to be discussed further at future sessions of the Committee.

C. Income measures

28. The Committee recalled that the Working Group had recommended the use of estimates of gross national product (GNP) as a first approximation of the capacity to pay, based on data reliability, availability, comparability and simplicity. The Committee noted that, while net national income (NNI), the measurement currently used, might in principle be a better guide to measuring capacity to pay, it involved an adjustment to GNP for depreciation, for which estimates were generally less reliable and comparable, as they were often based on varying assumptions about the rate at which the capital stock was depleted. Accordingly, the Committee recommended that future scales should be based on estimates of GNP. The Committee recalled that illustrative data in this connection concerning the effect of moving from NNI to GNP had been included in annex I to its report on its fifty-fifth session.

29. The Committee recalled that the Working Group had recommended that the Committee address the issue raised by the situation of a number of countries whose economies were formerly centrally planned and other countries that might adopt the 1993 system of national accounts (SNA) in advance of other countries.

That might have the result that the estimates of GNP for such countries would be inflated relative to those which continued to use the 1968 SNA.

30. The Committee was informed that the question had been considered by the Inter-secretariat Working Group on National Accounts in April 1996. The United Nations, the Statistical Office of the European Communities (EUROSTAT) and the Organisation for Economic Cooperation and Development (OECD) were continuing to request their members to provide gross domestic product (GDP)/GNP estimates according to the 1968 SNA until all countries had converted to the 1993 SNA. Accordingly, a study was being undertaken by the GNP Committee of the European Union with a view to establishing a simplified standard procedure for converting GDP/GNP estimates from the 1993 SNA to the 1968 SNA for those countries which implemented the new system earlier than others. The Committee was informed that, pending the results of that work, it was very difficult to estimate the differences that might arise for each country affected. The Committee agreed to keep the question under review.

D. Base period

31. The Committee reiterated its view that the base period should be a multiple of the scale period so that data from some years would not be used more frequently than data from others. In this connection, base periods of three, six and nine years were considered.

32. Some members argued that a three-year base period would have the advantage of providing the most recent, and therefore realistic, approximation of Member States' current capacity to pay. Others, on the other hand, argued that longer base periods, such as six or nine years, would reduce excessive volatility in the scale, which was particularly significant with the prospective phasing-out of the scheme of limits.

33. Some members held the view that, should the General Assembly decide to reduce the base period to three years, that change should be phased in gradually to avoid excessive fluctuations in the next scale of assessments. They suggested that the base period for the 1998-2000 scale could be reduced to six years, with the prospect of a further reduction in the following scale. Other members could not concur with that suggestion and stated their preference for a six-year base period for future scales of assessments. The Committee was of the view that, in the long run, the base period should be kept constant in successive scale periods. An illustrative table showing the effects of three-, six- and nine-year base periods was included in annex II to the report of the Committee on its fifty-fifth session. 1/

34. Some members reiterated their view that annual recalculations of the scale could be a useful tool for the Committee in keeping under review the evolution of national incomes in successive years. Others thought it served no useful purpose and might be misleading.

35. The Committee recalled that, under its terms of reference, once a scale had been fixed by the General Assembly, it should not be subjected to a general revision for at least three years, unless it was clear that there had been substantial changes in relative capacities to pay.

E. Conversion rates

36. The Committee emphasized the importance of realistic exchange rates as a crucial step in determining the relative capacity of Member States to pay. In that connection, the Committee considered comparative per capita income data that had been converted at market exchange rates (MERs) and purchasing power parities (PPPs). While the Committee found the information interesting and useful, a number of members of the Committee expressed reservations about the use of PPPs for the purposes of the scale, on both conceptual and practical grounds, as outlined in paragraphs 47 and 48 of the report of the Committee on its fifty-third session. 2/

37. The Committee noted that MERs were taken from data in the International Financial Statistics Yearbook, a publication of the International Monetary Fund (IMF). 3/ The publication includes three types of rates which are referred to for purposes of the scale as MERs:

(a) Market rates, determined largely by market forces;

(b) Official rates, determined by government authorities;

(c) Principal rates, for countries maintaining multiple exchange-rate arrangements.

The Committee will continue to keep under review the practical constraints on the use of MERs for conversion purposes, particularly for countries that have multiple exchange rates, were experiencing high inflation or were experiencing misalignments caused by market fluctuations.

38. The Committee agreed to keep the question of conversion rates under review, including the use of price-adjusted rates of exchange (PAREs). In the meantime, it agreed that MERs should be used for the purposes of the scale, except where this causes excessive fluctuations or distortions in the income of some Member States, when PAREs or other appropriate conversion rates should be employed. The Committee also agreed to keep under review the question of criteria for the replacement of MERs as a conversion factor for the scale.

39. The Secretariat was requested to provide to the Committee at its next session comprehensive information on the practice of IMF and the World Bank in choosing appropriate conversion rates to deal with cases of excessive fluctuations or distortions in the income of Member States.

F. Debt-burden adjustment

40. In considering this element of the scale, the Committee had before it information obtained from the World Bank on debt stock, principal repayments, the ratio of debt to national income and the ratio of debt service to export earnings for a number of Member States. Some members continued to question the rationale for this adjustment, while others felt that it was a necessary step in determining the capacity of Member States to pay.

41. Should the General Assembly decide to retain this element of the scale methodology, the Committee agreed that debt information available from the World Bank should be the basis for future calculations to measure debt-adjusted income because of better comparability and consistency. In that event, and notwithstanding the view of some members that the overall level of debt itself

constituted a significant burden, the Committee also agreed that the adjustment should be based on data on actual principal repayments, rather than on a proportion of debt stocks, as in the current scale of assessments.

G. Low per capita income adjustment

42. The Committee recalled that its original terms of reference had recognized comparative income per head of population as a main factor to be taken into account in order to prevent anomalous assessments resulting from the use of comparative estimates of national income and that that principle had been frequently reaffirmed by the General Assembly. It also noted that the related adjustment for Member States with per capita incomes below the "threshold" of the world average per capita income remained one of the largest adjustments effected under the current methodology.

43. The current low per capita income adjustment involves a reduction of assessable national income for those countries whose per capita national income is below the agreed threshold. The reduction is calculated using a "gradient" of 85 per cent of the percentage by which the country's per capita national income is below the threshold. Some members felt that, in some cases, this resulted in an excessively high adjustment of comparative national incomes for the purpose of the scale. In this connection, the Committee considered alternative proposals, including the two described in paragraph 32 of its report on its fifty-fifth session.

44. One proposal retained the current methodology, but would involve a reduction to 75 per cent in the gradient. A second proposal retained the concepts of the threshold and the gradient but would base the level of the gradient on the lowest or 10 lowest per capita national incomes and a maximum deduction of 50 per cent of national income for assessment purposes. A third proposal would entail replacing the threshold and the uniform gradient of 85 per cent with a formula linking the relief that a Member State would receive to its per capita income. Brackets or ranges of per capita income would be established. Countries falling within the different brackets or ranges would receive different percentage reductions in their national incomes for the purpose of fixing their assessable incomes. Some members expressed the view that some of the above-mentioned proposals had the advantage of being not only simpler than the current low per capita income allowance formula but would also result in less distortion in the principle of capacity to pay. Some other members, however, considered that these proposals constituted unacceptable burden shifting from high-income to low-income countries.

45. The Committee noted that the cost of the current adjustment, as well as of the alternatives mentioned above, was shifted to Member States not benefiting from the adjustment in direct proportion to their relative shares of national income. There was a discontinuity for Member States moving up, between scales, through the adjustment threshold.

46. In this connection, the Committee noted that the application of the adjustment formula prior to 1979 had produced no discontinuity at the threshold level, as was indicated in figure 1 of the report of the Working Group. It recalled that the pre-1979 methodology involved distributing the cost of the adjustment to all Member States, including those benefiting from it. As a result, a number of Member States just below the threshold did not experience a reduction in their assessable national income and the overall reduction of assessable national income for countries below the threshold was lower for any

given gradient. A number of members considered that a return to this practice would also involve an unacceptable transfer of costs from high-income to low-income countries.

47. The Committee also considered a proposal that would apply progressive positive as well as negative adjustments to national income figures, above as well as below the threshold. In this way, the problem of discontinuity would be overcome. Some members felt that, as presented, the proposal would introduce excessive progressivity above the threshold and that this would mean an excessive reliance by the Organization on the contributions of a relatively small number of Member States. Some members further noted, however, that the degree of progressivity could be adjusted in order to yield a more balanced result.

48. The Committee agreed to keep under review the discontinuity experienced by Member States rising, between scales, through the threshold level of per capita income.

H. Population data

49. The Committee recalled its agreement with the recommendation of the Working Group concerning the determination of per capita national income, as contained in paragraph 115 of its report.

I. Floor

50. The Committee noted that past practice by the General Assembly had always resulted in assessments for all Member States of at least a minimum share of the expenses of the Organization. The Committee agreed that, as was illustrated in annex IV to the report of the Committee on its fifty-fifth session, the current floor assessment rate of 0.01 per cent resulted in a serious departure from the principle of capacity to pay for a number of smaller Member States. In order to apportion their share of the expenses of the Organization among these Member States broadly according to their capacity to pay and to reduce the number of countries affected, the Committee recommended that, in future scales of assessments, all Member States whose share of adjusted national income is less than the current floor of 0.01 per cent should be assessed at their actual share of adjusted income, subject to a minimum assessment rate of 0.001 per cent.

J. Ceilings

51. The Committee recalled that its terms of reference specified that, if a ceiling was imposed on contributions, it should not be such as seriously to obscure the relation between a nation's contribution and its capacity to pay. As was illustrated in annex IV to the report of the Committee on its fifty-fifth session, the ratio of the 1997 assessment rate for the one Member State subject to the ceiling to its share of world national income was 91 per cent.

52. The Committee recalled that, in its resolution 48/223 B of 23 December 1993, the General Assembly had decided that individual assessment rates for the least developed countries should not exceed their current level of 0.01 per cent.

53. One member referred to a recent suggestion that the ceiling might be

reduced. The same member also referred to a "responsibility to pay" for those Member States with special political responsibilities and suggested that two ceilings should be set up: a higher ceiling for the permanent members of the Security Council and a lower one for other Members of the Organization. A number of members disagreed with this suggestion and considered that it fell outside the terms of reference of the Committee.

K. Scheme of limits

54. The Committee recalled that, as mandated by the General Assembly in its resolution 48/223 B, the complete phase-out of the scheme of limits would be undertaken in connection with the adoption of the next scale. Some members, however, felt strongly that the Assembly should consider the heavy burden on some developing countries which would result from the complete elimination of the scheme.

L. Rounding

55. Consistent with its recommendation that, in future scales, the minimum assessment rate should be set at 0.001 per cent, the Committee recommended carrying the scale of assessments to three decimal places. This should make the scale more precise as well as fairer, especially for Member States with smaller assessment rates.

M. Database maintenance

56. The Committee recalled the recommendation contained in paragraph 40 of its report on its fifty-fifth session.

N. Mitigation

57. The Committee agreed that the process of mitigation had nothing to do with the principle of capacity to pay. It also noted that the process depended on Member States making points available for distribution and that the number of points distributed in this manner had declined in recent years. Some members considered that the process was essentially political and questioned whether the Committee, as a technical body, should be involved. Others felt that, when available, mitigation points could facilitate the process of agreeing on a scale.

VI. OTHER MATTERS

A. Collection of contributions

58. The Committee took note of the report of the Secretary-General (A/CN.2/R.606), which indicated that, at the conclusion of the current session, the following 20 Members were in arrears in the payment of their assessed contributions to the expenses of the United Nations under the terms of Article 19 of the Charter and have no vote in the General Assembly: Bosnia and Herzegovina, Burundi, Central African Republic, Chad, Dominica, Dominican Republic, Equatorial Guinea, Gambia, Grenada, Guinea, Iraq, Latvia, Madagascar, Mali, Mauritania, Niger, Sao Tome and Principe, Sierra Leone, Somalia and Yugoslavia. The Committee also noted that the following five Members were in arrears in the payment of their assessed contributions under the terms of Article 19, but have been permitted to vote in the General Assembly pursuant to the provisions of General Assembly resolution 50/207 B: Georgia, through the fiftieth session; the Comoros, through the main part of the fifty-first session; and Liberia, Rwanda and Tajikistan, through the fifty-first session. The Committee decided to authorize its Chairman to issue an addendum to the present report, if necessary.

B. Payment of contributions in currencies other than United States dollars

59. Under the provisions of paragraph 3 (a) of its resolution 49/19 B of 23 December 1994, the General Assembly empowered the Secretary-General to accept, at his discretion and after consultation with the Chairman of the Committee on Contributions, a portion of the contributions of Member States for the calendar years 1995, 1996 and 1997 in currencies other than United States dollars.

60. The Committee noted that the Secretary-General had stated in paragraph 8 of his report (ibid.) that eight Member States had availed themselves of the opportunity of paying the equivalent of $2.8 million in eight non-United States dollar currencies acceptable to the Organization in 1995.

C. Date of next session

61. The Committee decided to hold its fifty-seventh session in New York from 2 to 27 June 1997.

Notes

1/ Official Records of the General Assembly, Fiftieth Session, Supplement No. 11 (A/50/11).

2/ Ibid., Forty-eighth Session, Supplement No. 11 (A/48/11).

3/ International Finance Statistics Yearbook (Washington, D.C., IMF, 1995).